June 1, 2016

Vietnam rides on the TPP and China reveals grand high-tech plans

During the month of May, the NAV of AGCM Asia Growth Fund SEK increased by +2.8% and the Euro share class by +1.8%. Last week in Asia, my colleagues and I met with close to 30 companies from China, India and Southeast Asia. In Vietnam we were struck by the high level of foreign direct investment in manufacturing capacity by China and South Korea. Companies from these countries are setting up factories in Vietnam in order to deal with rising labor costs at home and to benefit from the Trans-Pacific Partnership (TPP). The TPP is a wide-ranging trade agreement of which the US and Vietnam are signatories whereas China and South Korea are not. The TPP reduces trade barriers and Vietnam provides a back-door for non-members to the important US market. The activity now in Vietnam reminds us of China ten years ago. Construction is booming, the foreign direct investment level is high, and companies are rushing to list on the stock exchanges.

We find Western observers of China report too much on traditional industries and too little on China's new sectors which are becoming increasingly important as economic growth drivers, and to us, investment opportunities. As an example, China's e-commerce market is already the largest in the world at 672 billion USD in 2015, and is expected to reach around 2 trillion USD by 2020. Last week, we attended a meeting in Singapore with Joseph Tsai, vice Chairman of China's e-commerce giant Alibaba. Tsai talked about the long term vision and strategic thinking at Alibaba. There is a lot more going on in Alibaba than just e-commerce. It is hard not to get excited about the future prospects of the already highly successful Chinese internet companies. We look forward to a future with more focus on companies like this, and less focus on China's steel and cement players.

A few days ago, President Xi Jinping announced to the nation a vision whereby China should establish itself as one of the most innovative countries by 2020, a leading innovator by 2030, and a world-leading science and technology power by 2049 – by the centenary anniversary of the founding of the People's Republic of China. Xi said, the country will "provide bigger support for tech companies, especially small and medium-sized firms, reorganize research institutes and universities, and plan cities and regional centers to be attractive to innovation industries." To us who study China's five-year plans and travel regularly in China, these ambitions are not new nor surprising. This development has been underway for years and investors and corporations should think about how to cope with a less US-centric and a more Asia-centric future world economy.

In a more near-term future we note that economic fundamentals in China continue to improve. The monetary policy stance remains broadly accommodative. Credit creation strengthened further as did corporate earnings and cash flows during 1Q 2016. May PMI numbers announced today were strong, with services PMI at 53.1. Despite this relatively solid background, mutual funds remain underweight in Chinese H-shares and short-selling ratios are record high. H-share price to book valuations are back down to previous crisis levels, now at a 43% discount to the historical average, only 6% from the 2008 Global Financial Crisis bottom. In other words, a very negative scenario is currently priced in and MSCI China has substantial upside potential from here. Rather than to speculate around which events could trigger a re-rating, we continue to focus on company fundamentals and do our best to be invested in the most attractive growth companies in Asia we can find.

Gustav Rhenman
Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

May 2016

Performance

As of 31/05/2016	1 month	3 month	YTD	Since launch Oct 3 , 2014
AGCM Asia Growth Fund RC SEK	+2.8%	+6.1%	-7.8%	+0.0%
AGCM Asia Growth Fund WP EUR	+1.8%	+7.0%	-8.7%	n.a.

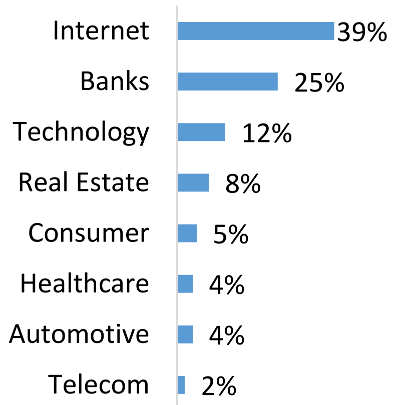
Top 5 holdings %

As of 31/05/2016

Company	Weight
Tencent Holdings	8.5%
Netease Inc	7.2%
Alibaba Group	6.6%
NAVER Corp	5.8%
China Construction Bank	4.8%
Total	**33.9%**

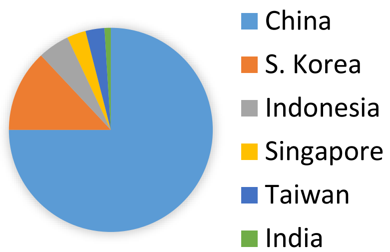
Industry breakdown

As of 31/05/2016



Geographic breakdown

As of 31/05/2016



About Asia Growth Capital Management

Asia Growth Capital Management AB (AGCM) is a specialized investment management company managing investment funds investing in listed equities in Asia. The company was founded in Sweden in 2013 by a group of investment professionals and executives with extensive experiences from a wide range of different industries. The Chief Investment Officer has twice before been awarded by Lipper (Thomson Reuters) for managing the best performing Asia Fund among all regulated Asia funds registered for marketing in any EU country.

Fund Facts

Portfolio manager:	Gustav Rhenman
Inception date:	03-Oct-2014
Fund size:	SEK 615 million
Number of holdings:	35
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 100.0 EUR 92.0
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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